

BEFORE THE DEPARTMENT OF REVENUE
OF THE STATE OF MONTANA

In the matter of the adoption of New)	NOTICE OF ADOPTION,
Rule I pertaining to property records)	AMENDMENT, AND REPEAL
and the amendment of ARM)	
42.19.1401, 42.19.1403, 42.19.1404,)	
42.19.1407, 42.19.1410, and)	
42.19.1412, and repeal of ARM)	
42.19.1405 and 42.19.1406)	
pertaining to local government tax)	
increment financing districts)	

TO: All Concerned Persons

1. On January 16, 2014, the Department of Revenue published MAR Notice Number 42-2-906 pertaining to the public hearing on the proposed adoption, amendment, and repeal of the above-stated rules at page 109 of the 2014 Montana Administrative Register, Issue Number 1.

2. On February 6, 2014, a public hearing was held to consider the proposed adoption, amendment, and repeal. Robert Story, President of the Montana Taxpayers Association, and Joe Roberts, of the Montana Association of Realtors appeared and testified at the hearing. Mr. Story also provided written comments.

3. The department has amended ARM 42.19.1401, 42.19.1407, 42.19.1410, and 42.19.1412; and repealed ARM 42.19.1405 and 42.19.1406, as proposed.

4. Based upon the comments received and after further review, the department has adopted and amended the following rules as proposed, but with the following changes from the original proposal, new matter underlined, deleted matter interlined:

NEW RULE I (ARM 42.18.150) OFFICIAL RECORD FOR REAL AND PERSONAL PROPERTY (1) through (3) remain as proposed.

AUTH: 15-1-201, 15-7-306, MCA

IMP: 15-7-101, 15-7-304, MCA

42.19.1403 NEW URBAN RENEWAL DISTRICTS (URD) – INFORMATION REQUIRED TO ENABLE THE DEPARTMENT TO CERTIFY BASE TAXABLE VALUE (1) and (2) remain as proposed.

~~(3) The department will not certify the base taxable value of a newly created URD if the district crosses any school district boundary.~~

42.19.1404 NEW TARGETED ECONOMIC DEVELOPMENT DISTRICTS (TEDD) – INFORMATION REQUIRED TO ENABLE THE DEPARTMENT TO

CERTIFY BASE TAXABLE VALUE

(1) through (1)(h) remain as proposed.

(i) a copy of the notice of public hearing ~~required under 7-15-4299 MCA,~~
published in accordance with 7-1-2121, MCA, for counties or with 7-1-4127, MCA,
for municipalities;

(j) through (2) remain as proposed.

~~(3) The department will not certify the base taxable value of a newly created
TEDD if the district crosses any school district boundary.~~

AUTH: 15-1-201, MCA

IMP: 7-15-4279, 7-15-4282, 7-15-4284, ~~7-15-4299,~~ 76-1-103, MCA

5. The department has thoroughly considered the comments and testimony received. A summary of the comments received and the department's responses are as follows:

COMMENT NO. 1: Robert Story, President of the Montana Taxpayers Association, appeared and testified at the hearing. He stated appreciation for the department's efforts to modernize the system with regard to property tax. The electronic system will be beneficial and minimize the opportunity for errors in the system and will make it more accessible for both department employees and taxpayers.

Mr. Story commented on New Rule I (3), which provides for eliminating the historical or hard copies of property records from the official record maintained in the computer assisted mass appraisal system (CAMAS). He stated that until there are not any more of these types of records that it would be better if the rule was expanded to allow for their use for the purpose of correcting the electronic record, or as evidence in an appeal of any appraisal due to differences between the property owner and the department. There will be times when the information in CAMAS may not be correct and the real information can be found on the hard copies in the county offices. If the rule says these are not part of the record, it creates the opportunity for a taxpayer to be told that the information cannot be used. He hopes the department will look at ways to keep those records available as a method of correcting what is in CAMAS.

Joe Roberts, of the Montana Association of Realtors, also appeared and testified at the hearing. He commented that they acknowledge that we are in a digital age and understand why the department would be moving in this direction, modernizing, and making it more efficient and accessible for people, and that they do not have any problem with that.

He stated that they do have some concerns when it comes to referring to an official record and what the ramifications are. Will there still be the ability to question some of the validity if there is contrary evidence or if there is a historical record there? Will this keep the record open enough for people who do have concerns about valuation to be able to get beyond the "official record" when that may be necessary?

RESPONSE NO. 1: The department understands the importance of historical information. The department has maintained property data in a computer assisted mass appraisal system (CAMAS) for many years. Hard copies of information are

transferred into CAMAS. The CAMAS information is updated regularly, whereas, the hard copy files are not. Because the CAMAS data is updated more frequently, the department's hard copy files do not contain all the information that is in the system. The legislative auditors, therefore, recommended to the department to identify its "official record" of information used to value property. Thus, this new rule was proposed.

The department, through the use of increased technology, provides property record information to the public through the state's cadastral web site. All property information is available to the public, with the exception of sale prices. Property taxpayers are encouraged to inform the department of any errors. As such, contrary documentation is welcomed to ensure that the department has accurate information for setting property values. The "official" record is updated on a regular basis with new information collected by the department or provided to the department from property taxpayers. Nothing in this rule prohibits the department from reviewing or considering historical or other relevant information that may exist.

COMMENT NO. 2: Mr. Story questioned if there is a possible conflict between New Rule I and 15-8-701, MCA, which provides for maintaining official property tax records in county courthouses. He asked the department look into this and determine if there is a problem that needs to be corrected in future legislation.

RESPONSE NO. 2: The department appreciates Mr. Story's comment but there would not be a need for a statutory change of 15-8-701, MCA. The statute requires that a copy of each record is to be kept in each county, not necessarily in each county courthouse. The department's Orion property tax system is a statewide system in which each county revenue office has access to the property tax records. Additionally, the department provides regular computer downloads of property record data to each county treasurer, which is maintained in that county's computer system. Further, each year when the department provides the certification of values to the counties, the department and county's property tax records are matched and balanced to ensure accuracy of property tax information.

COMMENT NO. 3: With regard to the TIFD rules, Mr. Story asked for an explanation as to why the department is not going to certify the taxable value of a TIFD that crosses school district lines. How do you get a value? How is that process going to work? It seems like it creates a void out there somewhere.

RESPONSE NO. 3: The department understands Mr. Story's concerns. Currently, there is not a good mechanism available to certify values that cross school, or any other types of district boundaries.

The department is striking the proposed new language from the rules at this time and will continue looking for options to certify values when a cross-boundary situation arises in the future.

COMMENT NO. 4: Mr. Story also commented with regard to the hearings process. He asked why the new rule on records was not a stand-alone hearing. It is a separate issue and has nothing to do with the tax increment financing districts (TIFD)

rule amendments that were contained in the same hearing notice. There should have been two separate hearings.

Mr. Roberts also commented that when he first read the new rule in the notice, he thought it was tied in with the TIFDs rather than an unrelated stand-alone rule.

RESPONSE NO. 4: For efficiency, the department often combines rules together in hearing notices based on the division responsible for the administration of the rules being considered and/or the proximity of the rules in the current ARM. However, Mr. Story and Mr. Roberts make a good point. Their feedback is helpful and appreciated and will be taken into consideration when preparing future public hearing notices.

6. An electronic copy of this notice is available on the department's web site, revenue.mt.gov. Select the Administrative Rules link under the Other Resources section located in the body of the homepage, and open the Adoption Notices section within. The department strives to make the electronic copy of this notice conform to the official version of the notice, as printed in the Montana Administrative Register, but advises all concerned persons that in the event of a discrepancy between the official printed text of the notice and the electronic version of the notice, only the official printed text will be considered. While the department also strives to keep its web site accessible at all times, in some instances it may be temporarily unavailable due to system maintenance or technical problems.

/s/ Laurie Logan
LAURIE LOGAN
Rule Reviewer

/s/ Mike Kadas
MIKE KADAS
Director of Revenue

Certified to the Secretary of State on May 12, 2014